Illustrative Single Audit Reports

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

This sample reports are adapted from the 2021 AICPA’s Audit Guide, *Governmental Auditing Standards and Single Audits*. There were no material wording changes to the AICPA’s illustrative Yellow Book reports with the issuance of SASs Nos. 134 – 140, unlike auditor opinion reports, and Uniform Guidance and State Single Audit reports.

Auditors may use portions of various illustrations included in this section to draft reports that apply to a specific audit situation. For example, it significant deficiencies has been identified by the auditor however there were no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards, the internal control over financial reporting section in Example 3 should be used along with the section on noncompliance and other matters in Example 1. If the auditor has identified reportable instances of noncompliance, example 3 or 4 of the noncompliance and other matters section would be used by the auditor.

Page Example Situation

35-E-2.1 1 No significant deficiencies or material weaknesses are disclosed - No instances of noncompliance or other matters are identified.

35-E-2.4 2 Significant deficiencies are identified. No material weaknesses are reported. - No instances of noncompliance or other matters are identified. - Reference to a component unit auditor - A fund or component unit of a governmental reporting entity does not have an audit in accordance with *Government Auditing Standards*.

35-E-2.7 3 Material weaknesses identified. No significant deficiencies are reported. Reportable instances of noncompliance or other matters are identified.

35-E-2.9 4 Material weaknesses and significant deficiencies are reported - Reportable instances of noncompliance and other matters are identified.

**Example 1 - No significant deficiencies or material weaknesses are disclosed – No instances of noncompliance or other matters are identified. No reference to a component unit auditor[[1]](#footnote-1)**

**LETTERHEAD**

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters6 Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor’s Report

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund[[2]](#footnote-2) information of the City of Dogwood, North Carolina, as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprises the City of Dogwood’s basic financial statements, and have issued our report thereon dated [date of report].[[3]](#footnote-3),[[4]](#footnote-4)

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Dogwood's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dogwood's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dogwood's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on** **Compliance and Other Matters**[[5]](#footnote-5)

As part of obtaining reasonable assurance about whether the City of Dogwood’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters6 that are required to be reported under *Government* *Auditing Standards*.[[6]](#footnote-6)

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.[[7]](#footnote-7)

*[Auditor’s signature]*

*[Auditor’s city and state]*

*[Date* *of the auditor’s report]*

**Example 2 - Significant deficiencies are identified. No material weaknesses are reported**. **No instances of noncompliance or other matters are identified. - Reference to a component unit auditor - A fund or component unit of a governmental reporting entity does not have an audit in accordance with *Government Auditing Standards*. [[8]](#footnote-8)**

**LETTERHEAD**

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters6 Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor’s Report

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund[[9]](#footnote-9) information of the City of Dogwood, North Carolina, as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprises the City of Dogwood’s basic financial statements, and have issued our report thereon dated [date of report].[[10]](#footnote-10) Our report includes a reference to other auditors who audited the financial statements of the City of Dogwood ABC Board, as described in our report on the City of Dogwood’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Dogwood ABC Board were not audited in accordance with *Government Auditing Standards*.[[11]](#footnote-11)

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dogwood’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dogwood’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses /schedule of findings and questioned costs [[12]](#footnote-12) as items *[List the reference numbers of the related finding, for example 20XX-1, 20XX-2]* 5 that we consider to be significant deficiencies.

**Report on** **Compliance and Other Matters** [[13]](#footnote-13)

As part of obtaining reasonable assurance about whether the City of Dogwood’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters6 that are required to be reported under *Government Auditing Standards.*[[14]](#footnote-14)

**City of Dogwood’s Response to Findings**[[15]](#footnote-15)

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Dogwood’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses /schedule of findings and questioned costs. 5 The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.[[16]](#footnote-16)

*[Auditor’s Signature]*

*[Auditor’s city and state]*

*[Date of Auditor’s Report]*

**Example 3 – Material weaknesses identified. No significant deficiencies are reported. Reportable instances of noncompliance or other matters are identified. [[17]](#footnote-17)**

**LETTERHEAD**

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters6 Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor’s Report

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the [accompanying] financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund [[18]](#footnote-18) information of the City of Dogwood, North Carolina, as of and for the year ended June 30, 20XX, and the related notes to the financial statement, [not presented here], which collectively comprises the City of Dogwood’s basic financial statements, and have issued our report thereon dated [date of report.][[19]](#footnote-19),[[20]](#footnote-20)

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dogwood’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dogwood’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses /schedule of findings and questioned costs [[21]](#footnote-21) we identified certain deficiencies as items *[List the reference numbers of the related finding, for example 20XX-1, 20XX-2]*that we consider to be material weaknesses.

**Report on** **Compliance and Other Matters** [[22]](#footnote-22)

As part of obtaining reasonable assurance about whether the City of Dogwood’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses / schedule of findings and questioned costs 5 as items [*List reference numbers of related findings*].

**City of Dogwood’s Response to Findings**[[23]](#footnote-23)

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Dogwood’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses / schedule of findings and questioned costs. 7 The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.[[24]](#footnote-24)

*[Auditor’s Signature]*

*[Auditor’s city and state]*

*[Date of the auditor’s report]*

**Example 4 – Material Weaknesses and Significant deficiencies are reported - Reportable instances of noncompliance and other matters6 are identified and reported in the schedule of findings.[[25]](#footnote-25)**

**LETTERHEAD**

**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters6 Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Independent Auditor’s Report

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the [accompanying] financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund[[26]](#footnote-26) information of the City of Dogwood, North Carolina, as of and for the year ended June 30, 20XX [not presented here], and the related notes to the financial statements, which collectively comprises the City of Dogwood’s basic financial statements, and have issued our report thereon dated [date of report.][[27]](#footnote-27),[[28]](#footnote-28)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dogwood’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions1 on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dogwood’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses / schedule of findings and questioned costs, [[29]](#footnote-29) we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs 5 *[List the reference numbers of the related finding, for example 20XX-1, 20XX-2].5* to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs 5 as items [*List reference numbers of related finding]*to be significant deficiencies.

Compliance and Other Matters[[30]](#footnote-30)

As part of obtaining reasonable assurance about whether the City of Dogwood’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters6 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs 7 as items [*List reference numbers of related findings*].[[31]](#footnote-31)

City of Dogwood’s Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Dogwood’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses/ schedule of findings and questioned costs.7 The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.[[32]](#footnote-32)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.[[33]](#footnote-33)

*[Auditor’s Signature]*

*[Auditor’s city and state]*

*[Date of the auditor’s report]*

1. Auditors may use portions of various illustrations included in this section to draft reports that apply to a specific audit situation. For example, it significant deficiencies has been identified by the auditor however there were no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards, the internal control over financial reporting section in Example 3 should be used along with the section on noncompliance and other matters in Example 1. [↑](#footnote-ref-1)
2. This sentence should reflect the opinion units that have been reported on to include only those items that relate to the governmental unit, such as governmental activities, business-type activities, the aggregated discretely presented component units, each major fund, and aggregate remaining fund information. In addition, the first sentence under the heading “Internal Control over Financial Reporting” should to refer to “our opinions” instead of “our opinion.” [↑](#footnote-ref-2)
3. Describe any departure from the standard report (for an example, a modified, adverse opinion or disclaimer of opinion on an opinion unit, explanatory paragraphs addressing circumstances such as going concern uncertainties, accounting changes, or a reference to the report of other auditors). [↑](#footnote-ref-3)
4. If the financial statements include a material component units or funds that are not required to have a *Governmental Auditing Standards* audit, the first paragraph should be modified (refer to example 2 on page 35-E-2.3). [↑](#footnote-ref-4)
5. Other matters are certain findings of fraud or abuse. As per industry practice, the reference to “other matters” in both the heading and the following paragraph typically appears in all reports, even if the report does not present or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are presented in or referred to from the section on internal control over financial reporting. Refer to *Governmental Auditing Standards* paragraph 4.63. [↑](#footnote-ref-5)
6. *Governmental Auditing Standards* notes that when auditors detect instances of noncompliance with violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements or financial significant data to the audit objectives that are less than material but warrant the attention of those charged with governance, they should communicate those findings in writing to audited entity officials. The auditors’ determination of whether and how to communicate such instances is a matter of professional judgment. (paragraph 4.76). [↑](#footnote-ref-6)
7. This paragraph has been adapted from AU-C section 905, *Alert That Restricts the Use of the Auditor’s Written Communication*, which relates to the reporting on internal control over compliance that is required in an audit of compliance in accordance with Uniform Guidance.

   [↑](#footnote-ref-7)
8. Refer to Example 1, footnote 1. [↑](#footnote-ref-8)
9. Refer to example 1, footnote 2 [↑](#footnote-ref-9)
10. Refer to example 1, footnote 3 [↑](#footnote-ref-10)
11. There may be circumstances where the other auditor or some of the other auditor’s referred to in the financial statement were not performed under *Governmental Auditing Standards*. This paragraph should be modified accordingly. [↑](#footnote-ref-11)
12. It is recommended that each finding have a reference number and the elements of the findings listed in a separate schedule. Uniform Guidance requires that the finding includes the four digits of the reporting year followed by three-digit numeric sequence. For audits performed only under *Governmental Auditing Standards* (Yellow Book audits), the report should reference the schedule of findings and responses. For audits subject to the Uniform Guidance (single audits), a schedule of findings and questioned costs should be referenced. An alternative for Yellow Book reports is to describe the findings and responses in the report. [↑](#footnote-ref-12)
13. Refer to example 1, footnote 5. [↑](#footnote-ref-13)
14. Refer to example 1, footnote 6. [↑](#footnote-ref-14)
15. This paragraph is not required; it may be included to clarify that the auditor is not providing an opinion on management’s response(s) to findings(s). [↑](#footnote-ref-15)
16. Refer to example 1, footnote 7. [↑](#footnote-ref-16)
17. Refer to Example 1, footnote 1. [↑](#footnote-ref-17)
18. Refer to Example 1, footnote 2. [↑](#footnote-ref-18)
19. Refer to Example 1, footnote 3 [↑](#footnote-ref-19)
20. Refer to Example 1, footnote 4 [↑](#footnote-ref-20)
21. Refer to Example 2, footnote 5 [↑](#footnote-ref-21)
22. Refer to Example 1, footnote 5. [↑](#footnote-ref-22)
23. Refer to Example 2, footnote 8. [↑](#footnote-ref-23)
24. Refer to Example 1, footnote 7 [↑](#footnote-ref-24)
25. Refer to Example 1, footnote 1 [↑](#footnote-ref-25)
26. Refer to Example 1, footnote 3 [↑](#footnote-ref-26)
27. Refer to Example 1, footnote 4 [↑](#footnote-ref-27)
28. Refer to Example 1, footnote 5 [↑](#footnote-ref-28)
29. Refer to Example 2, footnote 5 [↑](#footnote-ref-29)
30. Refer to Example 1, footnote 5 [↑](#footnote-ref-30)
31. Refer to Example 1, footnote 6. [↑](#footnote-ref-31)
32. Refer to Example 2, footnote 8. [↑](#footnote-ref-32)
33. Refer to Example 1, footnote 7 [↑](#footnote-ref-33)